

**INDIANA BASIC PROPERTY INSURANCE  
UNDERWRITING ASSOCIATION  
Financial Statements  
Years Ended September 30, 2003 and 2002**

**INDIANA BASIC PROPERTY INSURANCE  
UNDERWRITING ASSOCIATION**

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# WHIPPLE & COMPANY<sub>PC</sub>

## CERTIFIED PUBLIC ACCOUNTANTS

### Independent Auditors' Report

#### To the Governing Committee and Members INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

We have audited the accompanying statutory statements of admitted assets, liabilities, and members' equity of INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION as of September 30, 2003, and the related statutory statements of income, and accumulated deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION as of September 30, 2002, were audited by other auditors whose report dated November 12, 2002, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note A to the financial statements, the Association's policy is to prepare its financial statements on the basis of accounting practices permitted by the Insurance Department of the State of Indiana, which practices differ from generally accepted accounting principles. The effects on the financial statements of the variances between statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION as of September 30, 2003, and the results of income and accumulated deficit, and its cash flows for the year then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the admitted assets, liabilities, and members' equity of INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION as of September 30, 2003, and the results of its income and accumulated deficit and its cash flows for the year then ended, on the basis of accounting described in Note A.

*Whipple & Company, PC*

January 13, 2004

#### Assurance Services:

- Financial statements of commercial and not for profit organizations
- Compilations
- Reviews
- Audits
- Forecasts
- Projections
- Forensic accounting
- Feasibility studies
- Internal control reviews
- Agreed-upon procedure engagements
- Specialized ERISA and governmental audit engagements

**INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION**  
**Statements of Admitted Assets, Liabilities, and Members' Equity**  
**September 30, 2003 and 2002**

	<u>2003</u>	<u>2002</u>
<b>Admitted Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,853,430	\$ 1,027,795
Investments	0	298,849
Premium receivables	138,464	42,688
Other receivables	<u>23,470</u>	<u>60,309</u>
Total Current Assets	<u>\$ 2,015,364</u>	<u>\$ 1,429,641</u>
<b>Liabilities and Members' Equity</b>		
Accounts payable and accrued expenses	\$ 128,680	\$ 44,524
Commissions payable	30,983	13,002
Reserve for unpaid losses	533,941	341,660
Reserve for unpaid loss adjustment expenses	15,728	30,000
Reserve for unearned premiums	1,212,699	775,977
Prepaid premiums and remittances not allocated	<u>10,302</u>	<u>77,291</u>
Total Liabilities	<u>1,932,333</u>	<u>1,282,454</u>
<b>Members' Equity</b>		
Member contributions on open years	1,353,972	1,261,544
Reserve for nonadmitted assets	(5,356)	(11,067)
Accumulated deficit	<u>(1,265,585)</u>	<u>(1,103,290)</u>
Total Members' Equity	<u>83,031</u>	<u>147,187</u>
Total Liabilities and Members' Equity	<u>\$ 2,015,364</u>	<u>\$ 1,429,641</u>

See accompanying notes.

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Statements of Income and Accumulated Deficit For the Years Ended September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Underwriting Income:		
Premiums earned	\$ 2,241,296	\$ 1,341,538
Underwriting Expenses:		
Losses incurred	1,659,716	945,583
Loss adjustment expenses incurred	87,119	161,508
Other underwriting expenses:		
Commissions	256,132	156,438
Inspections and credit expense	114,861	83,833
Service fees	108,592	85,382
All other expenses	<u>465,090</u>	<u>233,310</u>
Total Other Underwriting Expenses	<u>944,675</u>	<u>558,963</u>
Total Other Underwriting Expenses	<u>2,691,510</u>	<u>1,666,054</u>
Underwriting Loss	(450,214)	(324,516)
Investment Income	<u>12,942</u>	<u>11,629</u>
<b>Net Loss</b>	(437,272)	(312,887)
<b>Accumulated Deficit, Beginning of Year</b>	(1,103,290)	(1,667,275)
Net Effect for Closing Out Accident Years	<u>274,977</u>	<u>876,872</u>
<b>Accumulated Deficit, End of Year</b>	<u><u>\$ (1,265,585)</u></u>	<u><u>\$ (1,103,290)</u></u>

See accompanying notes.

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Statements of Cash Flows

For the Years Ended September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<b>Cash Flows from Operating Activities:</b>		
Premiums received	\$ 2,478,319	\$ 1,613,817
Losses and loss expenses paid	(1,568,826)	(950,921)
Cash paid for services and employees	(729,351)	(524,584)
Investment income	<u>12,942</u>	<u>10,593</u>
Net cash provided by operating activities	<u>193,084</u>	<u>148,905</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of equipment	<u>(4,746)</u>	<u>(8,386)</u>
Net cash used in investing activities	<u>(4,746)</u>	<u>(8,386)</u>
<b>Cash Flows from Financing Activities:</b>		
Cash received from member assessments	<u>338,448</u>	<u>315,709</u>
Net cash provided by financing activities	<u>338,448</u>	<u>315,709</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>526,786</b>	<b>456,228</b>
Beginning Cash and Cash Equivalents	<u>1,326,644</u>	<u>870,416</u>
<b>Ending Cash and Cash Equivalents</b>	<u><u>\$ 1,853,430</u></u>	<u><u>\$ 1,326,644</u></u>

### Reconciliation of Net Loss to Net Cash Provided by Operating Activities

Net Loss	\$ (437,272)	\$ (312,887)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	10,457	8,354
Bad debt	0	74
Decrease in receivables	(29,980)	(16,627)
Increase in loss reserves	178,009	156,170
Increase in reserve for unearned premiums	369,733	287,577
Increase in other liabilities	<u>102,137</u>	<u>26,244</u>
Net cash provided by operating activities	<u><u>\$ 193,084</u></u>	<u><u>\$ 148,905</u></u>

See accompanying notes.

**INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION**  
**Notes to Financial Statements**  
**September 30, 2003 and 2002**

**Note A - Nature of Operations and Summary of Significant Accounting Policies:**

**Principal Activity**

The purpose of the Indiana Basic Property Insurance Underwriting Association (Fair Plan) is to make available property insurance coverage for qualifying property located in Indiana. Applicants must show they have been denied coverage by three different insurance companies in the thirty day period preceding their submission of an application to the Fair Plan. The Fair Plan is administered by a governing committee representing various segments of property insurers.

The Fair Plan is facilitated by use of servicing carriers who provide direct writings.

Costs to provide the property insurance, including claims, operating expenses and losses, are funded by premiums paid by policyholders and annual assessments made against member insurance companies.

**General**

The Fair Plan's financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Insurance Department of the State of Indiana. Prescribed statutory accounting practices include a variety of publications of the National Association of Insurance Commissioners (NAIC), as well as state laws, regulations, and general administrative rules. Permitted statutory accounting practices encompass all accounting practices not so prescribed.

**Premium and Other Receivables**

The Fair Plan carries its receivables at invoiced amounts. The Fair Plan considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts is provided. The Fair Plan's policy is not to accrue interest on past due trade receivables. Receivables amounted to \$161,934 and \$102,997 at September 30, 2003 and 2002, respectively.

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Notes to Financial Statements

September 30, 2003 and 2002

### Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):

#### Nonadmitted Assets

Statement of Statutory Accounting Principles requires that assets having economic value other than those which can be used to fulfill policyholder obligations, or those assets which are unavailable due to encumbrances or other third party interest should not be recognized on the Statement of Admitted Assets, Liabilities, and Members' Equity, and are, therefore, considered nonadmitted.

Furniture and equipment are carried at cost and includes expenditures for new additions and those, which substantially increase the useful lives of existing assets. Depreciation is computed at various rates by use of the straight-line method. Depreciable lives are generally as follows:

Furniture and equipment	3 to 10 years
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Expenditures for normal repairs and maintenance are charged to operations as incurred. The cost of furniture or equipment retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts in the year of disposal with the resulting gain or loss reflected in earnings or in the cost of the replacement asset.

Depreciation expense amounted to \$10,457 and \$8,354 for the years ended September 30, 2003 and 2002, respectively.

#### Income Taxes

The Fair Plan has elected to report income tax information as a syndicate.

#### Cash Flows

For purposes of the Statements of Cash Flows, the Fair Plan considers all highly liquid instruments that are purchased within three months or less of an instruments maturity date to be cash equivalents.

#### Use of Estimates

The preparation of financial statements in conformity with other comprehensive basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### Note B - Pension Plan:

The Fair Plan participated in a defined contribution plan sponsored by the Indiana Insurance Guaranty Association. Contributions amounted to \$4,440 and \$6,847 for the years ended September 30, 2003 and 2002, respectively.



# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Notes to Financial Statements

September 30, 2003 and 2002

### Note C - Related Party Transactions:

The Fair Plan shares office facilities and personnel with other insurance related organizations. Office rental, management and personnel salaries, pension plan administration, and certain common expenses are shared with these related organizations on a pro-rata basis.

The Fair Plan has also contracted with two insurance companies to provide servicing carrier functions. The servicing carriers are also members of the Governing Committee of the Association. Servicing carrier fees for the years ended September 30, 2003 and 2002 amounted to \$108,592 and \$85,382, respectively.

### Note D - Lease Commitments:

As part of an agreement with the Indiana Insurance Guaranty Association, the Fair Plan has agreed in the sharing of office rent. The Fair Plan's estimated share of future lease payments is as follows:

<u>Year Ending September 30,</u>	
2004	\$ 23,535
2005	<u>23,911</u>
Total	<u>\$ 47,446</u>

### Note E - Concentration of Credit Risk:

The Plan's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The Fair Plan places its cash and cash equivalents with high credit quality institutions. At times, such amounts may be in excess of the FDIC insured limit. The Fair Plan routinely assesses the financial strength of its customers and, as a consequence, believes that its receivable credit risk exposure is limited.

### Note F - Member Assessments:

The Fair Plan closed loss year September 30, 2000 during the year ended September 30, 2003.

### Note G - Dental Fund:

In 2002, the Fair Plan maintained a separate fund for an employee dental plan. The fund was not trusted or included in the assets of the Fair Plan. As of September 30, 2002, the fund balance was \$7,143. The account received funding of \$0 during 2002. In 2003, the fund was closed.

**INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION****Notes to Financial Statements****September 30, 2003 and 2002****Note H - Liability for Unpaid Claims:**

Activity in the liability for unpaid claims is summarized as follows at September 30:

	<u>2003</u>	<u>2002</u>
Balance at Beginning of Year:	\$ 341,660	\$ 195,490
Incurred Related to:		
Current year	1,376,788	984,641
Prior years	<u>282,928</u>	<u>(39,059)</u>
Total Incurred	<u>1,659,716</u>	<u>945,582</u>
Paid Related to:		
Current year	877,847	647,481
Prior years	<u>589,588</u>	<u>151,931</u>
Total Paid	<u>1,467,435</u>	<u>799,412</u>
Balance at End of Year	<u><u>\$ 533,941</u></u>	<u><u>\$ 341,660</u></u>

# WHIPPLE & COMPANY<sub>PC</sub>

CERTIFIED PUBLIC ACCOUNTANTS

## Assurance Services:

- Financial statements of commercial and not for profit organizations
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- Internal control reviews
- Agreed-upon procedure engagements
- Specialized ERISA and governmental audit engagements

## Independent Auditors' Report on the Supplementary Information

**To the Governing Committee and Members  
INDIANA BASIC PROPERTY INSURANCE  
UNDERWRITING ASSOCIATION  
Indianapolis, Indiana**

The data included in the following schedules, although not considered necessary for fair presentation of financial position, results of operations and changes in financial position in accordance with accounting principles permitted by the Insurance Department of the State of Indiana, are presented for supplementary analysis purposes.

The information included in the following schedules is based on information provided to the Fair Plan from its servicing companies. The information included therein for the year ended September 30, 2003, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The financial statements of INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION as of September 30, 2002 and 2001 were audited by other auditors.

*Whipple & Company, PC*

January 13, 2004

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Accident Period Years Ended September 30, 2001 through 2003

	Fire	Extended Coverage	General Liability	Theft	Total
<b>Habitational:</b>					
Premiums written	\$ 3,561,758	\$ 1,038,333	\$ 94,857	\$ 74,623	\$ 4,769,571
Unearned premium - beginning	325,389	98,389	9,710	9,329	442,817
Unearned premium - ending	(800,656)	(222,465)	(24,351)	(44,848)	(1,092,320)
Premiums Earned	3,086,491	914,257	80,216	39,104	4,120,068
Losses paid	2,168,200	499,946	0	1,150	2,669,296
Reserve for unpaid losses September 30, 2003	310,695	166,636	0	0	477,331
Losses incurred	2,478,895	666,582	0	1,150	3,146,627
Loss adjustment expense	217,933	135,301	7,689	1,792	362,715
Other underwriting expenses:					
Commissions	346,528	102,658	8,861	4,021	462,068
Inspections and credit	154,850	45,881	3,964	1,804	206,499
Service fees	183,592	54,749	4,734	2,426	245,501
All other expenses	602,369	178,139	15,356	6,729	802,593
	1,287,339	381,427	32,915	14,980	1,716,661
Total underwriting expenses	3,984,167	1,183,310	40,604	17,922	5,226,003
Underwriting gain (loss)	(897,676)	(269,053)	39,612	21,182	(1,105,935)
Investment income	42,484	13,430	1,480	1,124	58,518
Income (loss) habitational	(855,192)	(255,623)	41,092	22,306	(1,047,417)
<b>Commercial:</b>					
Premiums written	495,400	68,384	0	197	563,981
Unearned premium - beginning	31,630	3,944	0	79	35,653
Unearned premium - ending	(104,908)	(15,471)	0	0	(120,379)
Premiums Earned	422,122	56,857	0	276	479,255
Losses paid	315,592	94,298	0	0	409,890
Reserve for unpaid losses September 30, 2003	56,610	0	0	0	56,610
Losses Incurred	372,202	94,298	0	0	466,500
Loss adjustment expense	25,141	11,120	0	0	36,261
Other Underwriting Expenses:					
Commissions	48,914	6,666	0	20	55,600
Inspections and credit	30,588	4,180	0	14	34,782
Service fees	14,809	2,012	0	5	16,826
All other expenses	83,096	11,320	0	37	94,453
	177,407	24,178	0	76	201,661
Total Underwriting Expenses	574,750	129,596	0	76	704,422
Underwriting gain (loss)	(152,628)	(72,739)	0	200	(225,167)
Investment income	5,948	1,040	0	11	6,999
Income (loss) commercial	(146,680)	(71,699)	0	211	(218,168)
<b>Net Income (Loss)</b>	<b>\$ (1,001,872)</b>	<b>\$ (327,322)</b>	<b>\$ 41,092</b>	<b>\$ 22,517</b>	<b>\$ (1,265,585)</b>

See auditors' report on supplementary information.

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Accident Period Year Ended September 30, 2003

	Fire	Extended Coverage	General Liability	Theft	Total
<b>Habitational:</b>					
Premiums written	\$ 1,831,895	\$ 508,503	\$ 48,623	\$ 40,258	\$ 2,429,279
Unearned premium - beginning	510,008	155,594	13,418	10,164	689,184
Unearned premium - ending	(800,656)	(222,465)	(24,351)	(44,848)	(1,092,320)
Premiums Earned	1,541,247	441,632	37,690	5,574	2,026,143
Losses paid	638,679	90,785	0	0	729,464
Reserve for unpaid losses September 30, 2003	275,695	166,636	0	0	442,331
Losses incurred	914,374	257,421	0	0	1,171,795
Loss adjustment expense	59,908	17,166	1,465	217	78,756
Other underwriting expenses:					
Commissions	176,131	50,469	4,307	637	231,544
Inspections and credit	78,985	22,633	1,932	286	103,836
Service fees	74,674	21,397	1,826	270	98,167
All other expenses	319,823	91,643	7,821	1,157	420,444
	649,613	186,142	15,886	2,350	853,991
Total underwriting expenses	1,623,895	460,729	17,351	2,567	2,104,542
Underwriting gain (loss)	(82,648)	(19,097)	20,339	3,007	(78,399)
Investment income	8,900	2,550	218	32	11,700
Income (loss) habitational	(73,748)	(16,547)	20,557	3,039	(66,699)
<b>Commercial:</b>					
Premiums written	218,427	30,312	0	0	248,739
Unearned premium - beginning	76,075	10,718	0	0	86,793
Unearned premium - ending	(104,908)	(15,471)	0	0	(120,379)
Premiums Earned	189,594	25,559	0	0	215,153
Losses paid	138,390	9,993	0	0	148,383
Reserve for unpaid losses September 30, 2003	56,610	0	0	0	56,610
Losses Incurred	195,000	9,993	0	0	204,993
Loss adjustment expense	7,370	993	0	0	8,363
Other Underwriting Expenses:					
Commissions	21,667	2,921	0	0	24,588
Inspections and credit	9,716	1,310	0	0	11,026
Service fees	9,186	1,238	0	0	10,424
All other expenses	39,343	5,305	0	0	44,648
	79,912	10,774	0	0	90,686
Total Underwriting Expenses	282,282	21,760	0	0	304,042
Underwriting gain (loss)	(92,688)	3,799	0	0	(88,889)
Investment income	1,095	148	0	0	1,243
Income (loss) commercial	(91,593)	3,947	0	0	(87,646)
<b>Net Income (Loss)</b>	<b>\$ (165,341)</b>	<b>\$ (12,600)</b>	<b>\$ 20,557</b>	<b>\$ 3,039</b>	<b>\$ (154,345)</b>

See auditors' report on supplementary information.

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Accident Period Year Ended September 30, 2002

	Fire	Extended Coverage	General Liability	Theft	Total
<b>Habitational:</b>					
Premiums written	\$ 1,010,412	\$ 310,531	\$ 27,402	\$ 21,062	\$ 1,369,407
Unearned premium - beginning	356,165	108,114	9,465	6,010	479,754
Unearned premium - ending	(510,008)	(155,594)	(13,418)	(10,164)	(689,184)
Premiums Earned	856,569	263,051	23,449	16,908	1,159,977
Losses paid	775,164	308,565	0	0	1,083,729
Reserve for unpaid losses September 30, 2002	35,000	0	0	0	35,000
Losses incurred	810,164	308,565	0	0	1,118,729
Loss adjustment expense	69,744	67,441	4,512	1,171	142,868
Other underwriting expenses:					
Commissions	99,121	30,463	2,688	2,066	134,338
Inspections and credit	48,897	15,027	1,326	1,019	66,269
Service fees	59,946	18,424	1,626	1,250	81,246
All other expenses	147,828	45,432	4,009	3,081	200,350
	355,792	109,346	9,649	7,416	482,203
Total underwriting expenses	1,235,700	485,352	14,161	8,587	1,743,800
Underwriting gain (loss)	(379,131)	(222,301)	9,288	8,321	(583,823)
Investment income	7,606	2,584	169	129	10,488
Income (loss) habitational	(371,525)	(219,717)	9,457	8,450	(573,335)
<b>Commercial:</b>					
Premiums written	198,070	27,212	0	0	225,282
Unearned premium - beginning	38,164	4,818	0	90	43,072
Unearned premium - ending	(76,075)	(10,718)	0	0	(86,793)
Premiums Earned	160,159	21,312	0	90	181,561
Losses paid	90,697	63,500	0	0	154,197
Reserve for unpaid losses September 30, 2002	0	0	0	0	0
Losses Incurred	90,697	63,500	0	0	154,197
Loss adjustment expense	11,974	6,667	0	0	18,641
Other Underwriting Expenses:					
Commissions	19,431	2,669	0	0	22,100
Inspections and credit	15,442	2,122	0	0	17,564
Service fees	3,636	500	0	0	4,136
All other expenses	28,979	3,981	0	0	32,960
	67,488	9,272	0	0	76,760
Total Underwriting Expenses	170,159	79,439	0	0	249,598
Underwriting gain (loss)	(10,000)	(58,127)	0	90	(68,037)
Investment income	707	433	0	1	1,141
Income (loss) commercial	(9,293)	(57,694)	0	91	(66,896)
<b>Net Income (Loss)</b>	<b>\$ (380,818)</b>	<b>\$ (277,411)</b>	<b>\$ 9,457</b>	<b>\$ 8,541</b>	<b>\$ (640,231)</b>

See auditors' report on supplementary information.

# INDIANA BASIC PROPERTY INSURANCE UNDERWRITING ASSOCIATION

## Accident Period Year Ended September 30, 2001

	Fire	Extended Coverage	General Liability	Theft	Total
<b>Habitational:</b>					
Premiums written	\$ 719,451	\$ 219,299	\$ 18,832	\$ 13,303	\$ 970,885
Unearned premium - beginning	325,389	98,389	9,710	9,329	442,817
Unearned premium - ending	<u>(356,165)</u>	<u>(108,114)</u>	<u>(9,465)</u>	<u>(6,010)</u>	<u>(479,754)</u>
Premiums Earned	<u>688,675</u>	<u>209,574</u>	<u>19,077</u>	<u>16,622</u>	<u>933,948</u>
Losses paid	754,357	100,596	0	1,150	856,103
Reserve for unpaid losses September 30, 2001	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Losses incurred	<u>754,357</u>	<u>100,596</u>	<u>0</u>	<u>1,150</u>	<u>856,103</u>
Loss adjustment expense	<u>88,281</u>	<u>50,694</u>	<u>1,712</u>	<u>404</u>	<u>141,091</u>
Other underwriting expenses:					
Commissions	71,276	21,726	1,866	1,318	96,186
Inspections and credit	26,968	8,221	706	499	36,394
Service fees	48,972	14,928	1,282	906	66,088
All other expenses	<u>134,718</u>	<u>41,064</u>	<u>3,526</u>	<u>2,491</u>	<u>181,799</u>
	<u>281,934</u>	<u>85,939</u>	<u>7,380</u>	<u>5,214</u>	<u>380,467</u>
Total underwriting expenses	<u>1,124,572</u>	<u>237,229</u>	<u>9,092</u>	<u>6,768</u>	<u>1,377,661</u>
Underwriting gain (loss)	<u>(435,897)</u>	<u>(27,655)</u>	<u>9,985</u>	<u>9,854</u>	<u>(443,713)</u>
Investment income	<u>25,978</u>	<u>8,296</u>	<u>1,093</u>	<u>963</u>	<u>36,330</u>
Income (loss) habitational	<u>(409,919)</u>	<u>(19,359)</u>	<u>11,078</u>	<u>10,817</u>	<u>(407,383)</u>
<b>Commercial:</b>					
Premiums written	78,903	10,860	0	197	89,960
Unearned premium - beginning	31,630	3,944	0	79	35,653
Unearned premium - ending	<u>(38,164)</u>	<u>(4,818)</u>	<u>0</u>	<u>(90)</u>	<u>(43,072)</u>
Premiums Earned	<u>72,369</u>	<u>9,986</u>	<u>0</u>	<u>186</u>	<u>82,541</u>
Losses paid	86,505	20,805	0	0	107,310
Reserve for unpaid losses September 30, 2001	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Losses Incurred	<u>86,505</u>	<u>20,805</u>	<u>0</u>	<u>0</u>	<u>107,310</u>
Loss adjustment expense	<u>5,797</u>	<u>3,460</u>	<u>0</u>	<u>0</u>	<u>9,257</u>
Other Underwriting Expenses:					
Commissions	7,816	1,076	0	20	8,912
Inspections and credit	5,430	748	0	14	6,192
Service fees	1,987	274	0	5	2,266
All other expenses	<u>14,774</u>	<u>2,034</u>	<u>0</u>	<u>37</u>	<u>16,845</u>
	<u>30,007</u>	<u>4,132</u>	<u>0</u>	<u>76</u>	<u>34,215</u>
Total Underwriting Expenses	<u>122,309</u>	<u>28,397</u>	<u>0</u>	<u>76</u>	<u>150,782</u>
Underwriting gain (loss)	<u>(49,940)</u>	<u>(18,411)</u>	<u>0</u>	<u>110</u>	<u>(68,241)</u>
Investment income	<u>4,146</u>	<u>459</u>	<u>0</u>	<u>10</u>	<u>4,615</u>
Income (loss) commercial	<u>(45,794)</u>	<u>(17,952)</u>	<u>0</u>	<u>120</u>	<u>(63,626)</u>
<b>Net Income (Loss)</b>	<u><u>\$ (455,713)</u></u>	<u><u>\$ (37,311)</u></u>	<u><u>\$ 11,078</u></u>	<u><u>\$ 10,937</u></u>	<u><u>\$ (471,009)</u></u>

See auditors' report on supplementary information.